

Message Text

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PAGE 01 STATE 195392

56

ORIGIN XMB-04

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FM SECSTATE WASHDC

TO AMEMBASSY BUENOS AIRES

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E.O. 11652: N/A

TAGS: EGEN

SUBJECT: EXIMBANK FINANCING OF 747 JET AIRCRAFT PURCHASE BY AERO-
LINEAS ARGENTINAS

REF: (A) BA 4676 OF JULY 16, AND (B) BA 4742 OF JULY 21

1. ON JULY 26 EXIMBANK WAS VISITED BY CARLOS SCHERPA, DIRECTOR OF FINANCE FOR AEROLINEAS ARGENTINAS, WHO SAID HE HAD COME TO REQUEST THE ACTIVATION OR REINSTATEMENT OF THE COMMITMENT AUTHORIZED BY EXIM ON JUNE 30, 1975, TO ASSIST AEROLINEAS IN FINANCING THE PURCHASE FROM BOEING COMPANY OF ONE, NEW 747-200B JET AIRCRAFT, SPARE ENGINES, SPARE PARTS, AND RELATED U.S. EQUIPMENT AND SERVICES, HAVING AN ESTIMATED TOTAL U.S. COST OF \$50 MILLION. CONFIRMING THE EMBASSY REPORT IN REF. (B), SCHERPA SAID THAT THE GOA HAD, ON JULY 23, 1976 AUTHORIZED AEROLINEAS TO PURCHASE THE 747 JET AND TO COMMIT ITSELF TO THE FINANCING. HE ADDED THAT THE GOA'S AUTHORIZATION HAD BEEN WITH REFERENCE TO EXIMBANK'S COMMITMENT OF JUNE 1975. NEVERTHELESS, IN SUPPORT OF THE REQUEST SCHERPA HANDED EXIM A FORMAL "LOAN APPLICATION FOR PURCHASE OF ONE BOEING 747-200B", DATED MAY 1976, REQUESTING FINANCING IN A LARGER AMOUNT AND ON DIFFERENT TERMS THAN AUTHORIZED BY EXIMBANK IN 1975.

2. IN ENSUING DISCUSSION EXIM REPRESENTATIVES POINTED OUT THAT, SINCE THE COMMITMENT AUTHORIZED IN 1975 HAD AUTOMATICALLY TERMINATED

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PAGE 02 STATE 195392

BY ITS TERMS, WITHOUT ACCEPTANCE BY AEROLINEAS, EXIM HAD NO EXISTING

COMMITMENT TO FINANCE THE PURCHASE OF THE 747 JET. CONSEQUENTLY, THE APPROACH BY AEROLINEAS WOULD HAVE TO BE CONSIDERED BY EXIM IN LIGHT OF PRESENT AND FUTURE ECONOMIC CIRCUMSTANCES FOR ARGENTINA AND EXIMBANK'S EXPOSURE THERE AS WELL AS PRESENT EXIM'S POLICIES WITH RESPECT TO FINANCING SALES OF AIRCRAFT. SCHERPA EXPRESSED THE OPINION THAT, BY ITS APPROVAL, GOA HAD ESTABLISHED THE TRANSACTION AS ONE HAVING THE HIGHEST ORDER OF PRIORITY IN ARGENTINA'S PRESENT REQUIREMENTS FOR NEW EXTERNAL FINANCING.

3. SCHERPA'S INTIMATION THAT THE PURCHASE AT THIS TIME OF A \$50 MILLION JET AIRCRAFT RANKS HIGH IN ARGENTINA'S ORDER OF ECONOMIC PRIORITIES IS SURPRISING TO EXIM. DURING HIS RECENT MEETING WITH EXIM IN WASHINGTON MINISTER OF ECONOMY MARTINEZ DE HOZ MADE NO MENTION OF THE JET AIRCRAFT FOR AEROLINEAS. IT WAS GENERALLY UNDERSTOOD FROM THAT MEETING THAT, FOR THE NEAR-TERM, EXIM'S ASSISTANCE WOULD BE ON A CAUTIOUS AND SELECTIVE BASIS, LIMITED TO MODEST AMOUNTS FOR PRIORITY TRANSACTIONS, WITH PRIMARY CONCERN FOR THE IMMEDIATE FUTURE CENTERED AROUND THE ESTABLISHING OF A COOPERATIVE FINANCING FACILITY ("DFF") IN FAVOR OF BANCO NACIONAL DE DESARROLLO. EXIM FINDS IT DIFFICULT TO BELIEVE THAT MARTINEZ DE HOZ OVERLOOKED THE AEROLINEAS 747 JET TRANSACTION WHEN HE WAS IN WASHINGTON OR THAT HE NOW CONSIDERS THE FINANCING OF A \$50 MILLION AIRCRAFT PURCHASE TO BE WITHIN THE UNDERSTANDING HE HAD IN HIS MEETING WITH EXIMBANK.

4. EXIM IS CONTINUING ITS APPRAISAL OF THE ARGENTINE SITUATION AND HAS REACHED NO POSITION BEYOND THAT INDICATED TO HAVE BEEN COMMUNICATED TO MARTINEZ DE HOZ. AS WAS MADE CLEAR TO SCHERPA, AEROLINEAS' REQUEST MUST BE CONSIDERED BY EXIM IN THE LIGHT OF PRESENT CIRCUMSTANCES FOR ARGENTINA AND EXIM'S OWN POLICY GUIDELINES. EXIM SHOULD, OF COURSE, BE GLAD TO HAVE THE EMBASSY'S COMMENTS RELATIVE TO THE AEROLINEAS REQUEST, PARTICULARLY WITH RESPECT TO THE QUESTION OF THE RELATIVE PRIORITY OF THE TRANSACTION IN LIGHT OF THE UNDERSTANDING HAD WITH MARTINEZ DE HOZ. END.
HABIB

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Margaret P. Grafeld
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